

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: IOWA TELECOMMUNICATIONS SERVICES, INC., d/b/a IOWA TELECOM	DOCKET NO. RPU-02-4
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SECOND ORDER REQUESTING ADDITIONAL INFORMATION

(Issued August 26, 2002)

On May 24, 2002, Iowa Telecommunications Services, Inc., d/b/a Iowa Telecom (Iowa Telecom), filed with the Utilities Board (Board) proposed increases in its prices for basic communications services. On June 17, 2002, the Board docketed Iowa Telecom's filing as a formal proceeding. On August 2, 2002, the Board issued an order asking Iowa Telecom to provide certain financial information, in spreadsheet form, for the Board's consideration. Iowa Telecom provided the information on August 12, 2002.

The Board's review of the information provided by Iowa Telecom has generated some additional questions regarding the assumptions used in preparing the completed spreadsheet, while hearing preparation has generated other questions, as follows:

1. In its answer to the Board's request for additional information, Iowa Telecom assumes the number of access lines will change at a particular rate. However, in direct testimony Iowa Telecom states it expects to lose access lines at a different specified annual rate due to elasticity of demand.

(Knock, Direct, p.12) Please explain the difference between these projected rates of change.

2. Iowa Telecom states that it expects to lose a portion of its revenue to customers canceling services such as call waiting and call forwarding. (Knock, Direct, p. 12) However, in its answer to the Board's request for additional information, Iowa Telecom assumes a different rate of change in revenues from non-basic services. Please explain the difference. If possible, please supply numerical data and explain how Iowa Telecom computes these figures.

3. Mr. Knock, on page 12 of his direct testimony, provides projected revenues adjusted for loss due to elasticity. These adjusted revenues were not included in the assumptions found on page 1 of Iowa Telecom's response to the Board's request for additional information to determine projected revenues. Instead, the full proposed increase in revenues was included in the projected revenue balances. Please explain why the adjusted revenues were not used.

4. Please explain the basis for assuming that access minutes will change at the annual rate assumed by Iowa Telecom in its answer to the Board's request for additional information. Iowa Telecom's explanation should include any numerical data relied upon by Iowa Telecom in preparing its answer.

5. Please provide total access minutes of use for each month since Iowa Telecom started operations.

6. Please explain the basis for assuming that toll customers will increase at the annual rate assumed by Iowa Telecom in its answer to the Board's request for additional information. Iowa Telecom's explanation should include any numerical data relied upon by Iowa Telecom in preparing its answer

7. Please explain the basis for assuming that revenue from "other services," driven by data services, will change at the rates assumed by Iowa Telecom in its answer to the Board's request for additional information. Iowa Telecom's explanation should include any numerical data relied upon by Iowa Telecom in preparing its answer.

8. Please explain the basis for the reduction in expenses from 2001 to 2002, as shown in Iowa Telecom's answer to the Board's request for additional information. Please provide current actual expenses booked for 2002. Does the 2002 number now represent status quo, minus inflation, for annual expenses?

9. Please explain the projected changes in depreciation expense that are shown in Iowa Telecom's answer to the Board's request for additional information and relate them to Iowa Telecom's expected network improvements.

10. Please explain FASB 142.

11. Iowa Telecom states that the revolving credit account expires on a specified date. (Knock, Direct, p.7) Is the outstanding balance due at this time? If so, why does Iowa Telecom's answer to the Board's request for additional information show a balance after the stated expiration date? What are the actual terms of this revolving credit agreement?

12. In its response to the Board's request for additional information, Iowa Telecom assumes it will procure a loan in a specified year at specified terms to redeem its preferred stock and all the accrued dividends and interest. What requirements will Iowa Telecom need to meet in order to secure this loan?

13. In the response to the Board's request for additional information, Iowa Telecom provided a forecast of annual capital expenditures through 2010. Please provide, for each year, a breakdown of the forecasted capital expenditure balance, detailing how much of the capital expenditure will be used for maintaining the system and how much will go toward major improvements to the network.

14. Please provide a list of the commitments made by Iowa Telecom to the Board during Docket No. SPU-99-29 that are currently completed and a list showing commitments that have not yet been fulfilled.

The Board will ask that Iowa Telecom provide written responses to these questions.

The hearing in this matter is scheduled for September 4, 2002, that is, six business days from the date of this order. In order to allow time for analysis of this

additional information prior to the hearing, the Board will ask that Iowa Telecom file its responses on or before Thursday, August 29, 2002. If Iowa Telecom believes any of the information contained in its answers is confidential, it should follow the established procedures for confidential filings in 199 IAC 1.9(6).

IT IS THEREFORE ORDERED:

Iowa Telecommunications Services, Inc., d/b/a Iowa Telecom, shall file its written responses to the questions set forth in this order on or before August 29, 2002.

UTILITIES BOARD

/s/ Diane Munns

/s/ Mark O. Lambert

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 26th day of August, 2002.